

Taking a Choice Plan Withdrawal

Depending on eligibility, most PERSI members now have two PERSI accounts - their Base Plan account and their new Choice Plan account. Once a member terminates, he or she may withdraw funds from either or both accounts or may defer distribution to some future date or until retirement.

The Base Plan and Choice Plan have different requirements for withdrawals and different payment options. Base Plan payouts will continue to be called Separation Benefits. Choice Plan payouts will be called Distributions. The two plans require separate forms because the Base Plan separation benefits will continue to be paid out by PERSI, but the Choice Plan distributions will be paid out by that plan's third-party recordkeeper, Mellon-Dreyfus.

The process for paying a separation benefit will remain the same. Employees will still need to submit a *Request for Separation Benefit RS-108* form, and employers must still submit a *Notice of Separation RS-109* before a payment may be made.

For payment of Choice Plan distribution, an employee must submit a new *Choice Plan Distribution/Rollover RS-810* form, and the employer must submit a *Notice of Separation RS-109*.

Choice Plan Payment Options

A payment from the PERSI Choice Plan may be taken in several different ways, but the options depend on the member's account balance on the date he or she requests distribution and whether or not he or she is retiring. If the account balance is more than \$5,000 and the member is retiring, disabled, or has reached Choice Plan Normal Retirement Age (age 50), he or she may choose any of the following options or a combination of options. If the account balance is \$5,000 or less, or the member is younger than age 50, he or she may choose only between A, B, C or D, or a combination of those options.

A. Purchase Base Plan Service.

Convert all or a portion of the Choice Plan account to purchase up to four years of credited service under the PERSI Base Plan. *To take advantage of this option, the member must be retiring and eligible to purchase service under the PERSI Base Plan and must have completed the necessary "Purchase of Service" paperwork.*

B. Lump Sum Distribution Paid Directly To The Member.

Any amounts payable that are eligible for rollover distributions will be subject to a mandatory 20% federal income tax withholding and applicable

state income tax withholding. Members may also incur a federal 10% early distribution penalty if under the age of 59 1/2. Distributions that are not eligible for rollover will generally be subject to 10% federal withholding, unless the member elects a different withholding rate.

C. Leaving Funds in the Choice Plan.

The member may leave his or her funds in the Choice Plan until a later date or until retirement. By leaving the money in the Choice Plan, the member will defer paying taxes, but he or she *will be responsible for the annual record keeping fees to maintain this account (currently \$30 annually). The fees will be assessed against the account monthly, beginning with the calendar month starting 90 days after the member's termination date.* If electing to leave all of funds in the plan, the member does not need to complete the Request for Distribution/Rollover form.

D. Rollover to an IRA or Qualified Retirement Plan.

The member may transfer his or her Choice Plan account balance via direct rollover into an Individual Retirement Account (IRA) or other

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qualified retirement plan. By transferring money via direct rollover, the member will defer paying taxes. *A beneficiary may only take a rollover distribution if he or she is the surviving spouse of the participant.*

E. Installment Payments. A member may receive monthly installment payments of his or her PERSI Choice Plan account. Monthly installments can be paid:

- 1) in a fixed monthly amount, with such payments made until account exhaustion (not to exceed 120 months),
or
- 2) in substantially equal monthly payments over a fixed period of time not to exceed 120 months.

Installment payments are available only upon retirement; disability; or death if the member's beneficiary is his or her surviving spouse. This option is only available if the member's Choice Plan balance is more than \$5,000. *The member will be responsible for the record keeping fees to maintain this account (currently \$30 annually) during the time the installment payments are being made.* Installment options may be affected by minimum distribution requirements

when the member turns age 70 1/2.

Spousal Consent

Idaho is a community property state, and under Idaho law, a member's spouse may be entitled to a portion of his or her PERSI Choice Plan benefit. To legally recognize this spousal right, if a member is married, PERSI will require his or her spouse's consent before a withdrawal is paid. Spousal consent protects the spouse's right to his or her portion of the benefit.

A spouse's signature must be notarized by a Notary Public to ensure that it is, in fact, the spouse that is offering consent. He or she must show photo identification to the notary. All PERSI offices have notaries available to our members at no cost. If a member and his or her spouse wish, they may make an appointment with a PERSI notary.

Applying for a Choice Plan Withdrawal

To apply for a Choice Plan withdrawal, a member must be inactive. If an employee is considering a withdrawal, he or she should call and we will send a Distribution Kit. This kit contains:

- **You are about to Receive a Large Sum of Money**. This is a brochure designed to help the member understand the

options available regarding his or her PERSI Choice Plan account balance.

- **Special Tax Notice Regarding Retirement Savings Plan Payments.**

This is a summary of federal tax rules that might apply to the distribution.

- **Request for Distribution/ Rollover Form RS-810**

PERSI must receive two documents before we can pay a withdrawal: a *Notice of Separation RS-109* from the employer; AND a *Request for Rollover/Distribution RS-810* from the member. If choosing to "roll over" funds to an IRA or another qualified plan, we will also need the name, address and plan account information. Before a member makes a decision, we strongly recommend that he or she read the information provided in the Distribution Kit.

A decision regarding the distribution of a Choice Plan account can have important financial and tax-related effects; therefore, we strongly suggest that a member consults with his or her individual tax advisor.

If members have any questions concerning their Choice Plan accounts or the options available to them, they should call **1-866-ID-PERSI**.

PERSI Choice Plan Account Information
Toll Free 1-866-ID-PERSI (1-866-437-3774)